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RUEHLM/AMEMBASSY COLOMBO PRIORITY 0225  
RUEHKA/AMEMBASSY DHAKA PRIORITY 0237  
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 0716  
RUEHBUL/AMEMBASSY KABUL PRIORITY 0525  
RUEHKT/AMEMBASSY KATHMANDU PRIORITY 0232  
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0393  
RUEKJCS/OSD WASHDC PRIORITY  
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RHEFDIA/DIA WASHDC PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC PRIORITY  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUEHVEN/USMISSION USOSCE PRIORITY 2533  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 1916  
RUEHNO/USMISSION USNATO BRUSSELS BE PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 000522

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SUBJECT: KAZAKH PRESIDENT NAZARBAYEV BRINGS HOPE, CRITICISM  
TO BISHKEK

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Classified By: Ambassador Marie L. Yovanovitch, Reason 1.4 (b) and (d)

11. (SBU) SUMMARY: The abbreviated April 26-27 visit of Kazakh President Nursultan Nazarbayev was portrayed as a success by the Kyrgyz government, with both governments signing a number of bilateral agreements and discussing the possibility of creating bilateral and multilateral unions. However, Nazarbayev arrived late (due to the Yeltsin funeral) and left early, a planned Kyrgyz-Kazakh business forum was postponed, and his address to Parliament was cancelled. Nazarbayev made critical remarks to the press regarding Kyrgyzstan's instability and lack of investor-friendly legislation. To some observers, Nazarbayev appeared more interested in protecting Kazakh economic interests than in establish the type of close political, economic union Kyrgyz President Bakiyev may have been looking for. END SUMMARY.

AGREEMENTS SIGNED, TALK OF UNION PROPOSED . . .  
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12. (SBU) During Kazakh President Nazarbayev's April 26-27 visit to Kyrgyzstan, a number of bilateral agreements were signed and then quickly ratified following the visit, including accords on establishing international centers for border cooperation; recognizing tourist visas of third country nationals traveling in the border areas of Kazakhstan's Almaty and Jambyl Oblasts, and Kyrgyzstan's Issykul, Talas, and Chui Oblasts; cultural cooperation; and humanitarian assistance. The two presidents also agreed to create two new bilateral structures -- the Supreme Interstate Council and the Council of Foreign Ministers -- to further develop cooperation between both countries. Nazarbayev also floated a vague idea of forming a "Union of Central Asian Countries," and suggested that Kazakhstan and Kyrgyzstan might move forward with the creation of such a union before agreements could be reached with other Central Asian

governments -- a notion President Bakiyev supported.

13. (SBU) During a May 3 briefing on the visit, Kazakh Ambassador to Kyrgyzstan Umarzak Uzbekov said that both presidents had also talked about holding a business forum by the end of May -- a forum that was supposed to occur during Nazarbayev's visit -- at which the Kyrgyz Government is expected to present roughly 62 investment projects for joint consideration. Uzbekov also mentioned that his country would provide about \$8 million to be used for technical research for the projects discussed at the forum, but only if the Kyrgyz reform their concessions law. He went on to say that both countries would seek to improve customs regulations usually affecting Kyrgyz truck drivers transiting through Kazakh territory, and would address railroad tariff issues as well. In addition, Uzbekov said that Kyrgyzstan would soon be allowed to utilize Kazakh satellite services, and that shares of Kyrgyztelecom could be bought by Kazakh interests if offered for sale. Kyrgyz Deputy Foreign Minister Askar Beshimov, who was also in attendance at the briefing, added that the Kyrgyz Parliament would soon discuss issues concerning demarcation of the Kyrgyz-Kazakh border, development of the Issyk Kul region as a recreation zone, and Kazakh investments in the Kambarata 1 and 2 hydroelectric dam projects. Beshimov also said that the idea of forming a union of Central Asian states had been discussed for several years, but hoped that the creation of the supreme interstate council would provide more of an impetus to build such a union.

. . . BUT KYRGYZ STABILITY CRITICIZED

14. (SBU) Before departing Bishkek, Nazarbayev made clear his disappointment with Kyrgyzstan's political and economic

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instability. He provided critical remarks regarding the Kyrgyz economy, and the need to implement the types of legislative reforms that could attract foreign investment. Nazarbayev said publicly that Kazakhstan had invested far more -- approximately \$1 billion -- in Georgia since 2005 than Kyrgyzstan, because Kyrgyzstan's political instability and rampant corruption in the government generated greater risks for Kazakh investors. Nazarbayev also criticized Bakiyev's inability to resolve issues important to Kazakh investors, including property rights and development around Lake Issyk Kul. Kazakhstan is ready to invest billions of dollars in Kyrgyzstan, said Nazarbayev, provided that Kyrgyzstan demonstrates a greater degree of political maturity. He added that if all factions did not negotiate and respect one another in a democratic and lawful manner, Kyrgyzstan would turn into an "enclave of instability." Nazarbayev commented that, to attract further Kazakh investment, Kyrgyzstan would have to establish a more stable political environment, and the president and parliament would need to cooperate on the adoption of legislation that enhances investor rights.

COMMENT

15. (C) Kazakhstan plays a large role in Kyrgyzstan. Up to a half million Kyrgyz work seasonally in Kazakhstan. Kazakh banks have invested heavily in the Kyrgyz financial sector. A substantial part of Kyrgyzstan's foreign debt is owed to Kazakhstan. Most commentators believe that Kazakhstan is looking for a larger role, including investment in around Lake Issyk Kul and in other Kyrgyz enterprises, although Ambassador Uzbekov told the Ambassador that the visit was a measure of support for Bakiyev. President Bakiyev may have viewed President Nazarbayev's visit as a way to bolster his political standing, through bilateral agreements and increased investment. We are also reliably told that Bakiyev's personal yardstick of success was met: The two presidents stayed up drinking until 3 AM, putting Bakiyev in

the President's Club. Likewise, our official interlocutors, state media and the numerous Bakiyev-Nazerbayev billboards around Bishkek predictably trumpeted the visit as a great success. Some commentators, however, saw the visit -- cut short and with public criticism -- as a diplomatic snub.

YOVANOVITCH